

VZCZCXRO8773
PP RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHKL #0392/01 1400936
ZNY SSSSS ZZH
P 200936Z MAY 09
FM AMEMBASSY KUALA LUMPUR
TO RUEHC/SECSTATE WASHDC PRIORITY 2745
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

S E C R E T SECTION 01 OF 03 KUALA LUMPUR 000392

SIPDIS

E.O. 12958: DECL: 05/20/2029
TAGS: [PREL](#) [PGOV](#) [ECON](#) [KDEM](#) [MY](#)
SUBJECT: NEXT STEPS FOR U.S. - MALAYSIA RELATIONS

REF: A. STATE 51076 - SECRETARY'S MEETING WITH FM ANIFAH
[1](#)B. KL 361 - SCENESETTER FOR FM VISIT TO WASHINGTON
[1](#)C. KL 351 - AMBASSADOR MEETS FOREIGN MINISTER

Classified By: Ambassador James R. Keith, reason 1.4 (b and d).

Introduction

[1](#)1. (S) We have come a long way in the first months of the new Administration's relationship with Malaysia. Secretary Clinton's congratulatory call to Foreign Minister Anifah and her early meeting with him in Washington as well as Prime Minister Najib's well publicized receipt of a letter of congratulations from the President have helped the Malaysian public to perceive a clear shift in tone in U.S.-Malaysia ties. The question ahead is whether Najib seeks just that or something more. In light of the significance of the American market to Malaysia and the deepening economic pressure on the ruling party to deal with the global crisis, we are likely to have substantial opportunities in the months ahead to advance a clearly defined U.S. agenda with Malaysia. There will be limits imposed by the ruling party's ability to avoid debilitating moves in domestic politics, for one, and, for another, with regard to Malaysia's determination to sustain an independent and nonaligned point of view. Nevertheless, we should test the new bilateral environment by identifying benchmarks and deliberately pursuing realistic but meaningful improvements in U.S.-Malaysia relations.

Najib's Choice: Coast Forward or Hit the Accelerator?

[1](#)2. (S) If the Malaysians want solely an improvement in tone, based on the global phenomenon of the new Administration's popularity and our more focused and forward-looking engagement in the Middle East, we are already there. In that case the challenge will be to sustain the current level of positive if superficial interaction so as to sustain modestly positive ties and conduct whatever damage control might be necessary, especially with regard to transshipments to Iran and the upcoming trial of opposition leader Anwar Ibrahim. If, however, Najib is prepared to make sacrifices or compromises at home to become more relevant regionally and globally, and therefore more useful to the United States, Malaysia still has a lot of work to do and not so much time to get it done.

Looming Targets for Trade and Environment, Plus Security

[1](#)3. (C) We should have opportunities soon to put Malaysia to the test. Najib has just participated in a meaningful way in the World Oceans Conference in Indonesia, pledging \$1 million toward the Coral Triangle Initiative and committing Malaysia to continue as an active participant in this effort. Indeed, our ongoing effort to upgrade relations with Indonesia will help drive the Malaysians, and perhaps ASEAN, too, in a

positive direction. That said, if we want to expand the common ground between ourselves and Malaysia we will have to start laying out for them our tangible objectives on security and energy/environment, economic and trade issues expressed in ASEAN and in APEC, in connection with the December Copenhagen conference on climate change, and with regard to the constellation of export control and nonproliferation issues associated with the spring 2010 NPT Review Conference.

Malaysia is perhaps not alone in Southeast Asia in that it is now just beginning to develop its ideas on how it might contribute to Copenhagen. Malaysia actively participated in the just concluded NPT Prepcom, where it closely aligned itself with Non-Aligned Movement (NAM) positions, emphasized nuclear disarmament as the priority and raised concerns over "discriminative measures" imposed on countries pursuing nuclear energy for peaceful purposes. We will need to act soon if we are to influence Malaysia to take more constructive positions in the NPT Revcon.

¶4. (C) On the basis of mutual interest and respect we can help the Malaysians determine a relevant and beneficial role in regional and global matters. If we do not, they may at best only stumble into productive postures or positions, e.g. anti-piracy efforts in the Gulf of Aden brought about by occasion of pirates attacking a Malaysian flagged ship. But we will need a more deliberate and longer-term plan for Malaysia to identify mutual interests and establish mutual steps to achieve them.

¶5. (C) At a meeting this past week for the new Minister for Trade and Industry (MITI) with the entire diplomatic corps in Kuala Lumpur, for example, the Ambassador asked about the

KUALA LUMP 00000392 002 OF 003

Trade Ministry's plan and priority associated with potential passage of an export control bill that has been languishing for years. Given that this meeting with the diplomatic corps was a welcome initiative on the part of the new government here and a very positive event overall, it was nonetheless telling and negative that the Minister was wholly unaware of the Trade Ministry's prospective role in implementing new export control legislation as soon as it is passed. Similarly, MITI will likely be the institution in Malaysia that formulates this country's views with regard to the confluence of energy, environment and trade issues that make up the economic influence and impact of the upcoming Copenhagen conference. The Minister and his team essentially referred the Ambassador's question on this subject to those in the Malaysian bureaucracy managing the environmental components of climate change.

¶6. (C) Assuming Malaysia is able to manage its domestic politics in a way that allows us to seek to accelerate improvements in U.S. ties, we will want to focus on security and trade issues, along with those elements of soft power amenable to closer alignment with us, including efforts to bridge gaps with the Muslim world and to make sure we are doing all we can in healthy competition with China and India for influence and market share.

Fostering Regional Security -----

¶7. (S) An example of what we can achieve on the security side is our coastal radar program in Sabah, due to be completed in 2010-11 as currently funded. We are assisting the Malaysians with construction and integration into their command and control structure nine new coastal radars that will dramatically improve maritime domain awareness around eastern Malaysia, ranging from combating organized crime to detecting and defeating violent extremists. That is sufficient cause to drive us toward cooperation on a bilateral basis, but what makes it most rewarding is the longer-term potential tie-in to similar programs in Indonesia and the southern Philippines, creating the possibility to knit together key ASEAN members in an area of critical

interest to us. If we can use these projects to not only create a shared intelligence picture of the sub-region among the three countries, but also ensure clean and clear communication between the countries and their respective services, we will have achieved a huge multiplier for U.S. security efforts in the region and at very little cost in relative terms.

Tying the FTA to Regional and Global Objectives

18. (C) Similarly, we have the prospect of advancing trade relations with Malaysia through our ongoing Free Trade Agreement (FTA) talks. It appears that we are turning a corner on Malaysian perspectives on the FTA. Najib is sending signals that he wants to re-engage for the best of reasons, from our perspective. We are hearing more and more about KL's desire to move the domestic economy to where it needs to be to remain competitive in a neighborhood that pits Malaysia against some hard-charging and highly motivated economies. These reforms are directed at areas that could remove core obstacles to concluding the FTA - including in services, financial services and government procurement. We will not know until we test their negotiators whether the Najib cabinet is prepared to tackle the toughest issues, but there is reason to believe that Malaysian attitudes are changing; the question remains how much change they will accommodate and how fast. We will want to build on any success in the key areas under negotiation whether we ultimately do that through the FTA, a regional agreement, in connection with the DOHA round, or some combination over time of all of these. So with regard to trade, just as is the case with security ties and energy/environment/economic common ground, we need to find steps on the ladder that leads to the goal of using more effectively Malaysia's important voice in global and regional contexts.

People-Oriented Relations, Burma and ASEAN

19. (C) Considering the people-oriented side of our relations, our broadly defined interests with Malaysia overlap in the nexus of refugees, trafficking, and migration. One structural, long-term problem for ASEAN is how to deal with flows of refugees out of Burma. At least from our perspective in Kuala Lumpur, there may not be a better issue to highlight the costs of inaction and the need to go beyond consensus as ASEAN member Burma is creating political and

KUALA LUMP 00000392 003 OF 003

financial costs in both domestic and international contexts for its fellow ASEAN members. Malaysia's May 19 public statement urging the release of Aung Sang Suu Kyi was a positive first step in this regard. Encouraging Malaysia's full acceptance and cooperation with international bodies like UNHCR, IOM and ILO can help bring Malaysia into the mainstream on challenges of refugees, human trafficking, and labor migration. Muslim-majority Malaysia, alongside Indonesia, can add unique Southeast Asian perspectives to Islamic fora including debates within the Organization of the Islamic Conference (OIC).

Looking Ahead

10. (S) Malaysia is not likely any time soon to forsake its commitment to non-aligned status, including its close identification with NAM consensus positions and the OIC. Malaysia will continue to place great rhetorical emphasis on the Israel-Palestine conflict. We should challenge Malaysia to make itself more relevant to solutions by making the most of its solid relations with North America and Europe as well as the OIC and NAM. It may continue to be the case that Malaysia sports a dismal record on UN votes that matter to us, for example, even if it begins to carry more of the international burden in areas that also matter to us. One

potential objective could be to elicit Malaysian agreement to follow up Foreign Minister Anifah's general expression of willingness to contribute in Afghanistan by, perhaps, conducting training of Afghan air traffic controllers. Granted Kuala Lumpur will balk at identifying itself with the coalition in any way that harks back to the global war on terror. Nevertheless, we should press the Najib administration to do more.

¶11. (C) Embassy Kuala Lumpur will be sending separately a series of messages in the time ahead aimed at contributing to the agenda for Secretary Clinton's participation in the ASEAN Regional Forum in July as well as the President's participation in the Singapore APEC meeting in November. It is likely that we will have an additional opportunity to translate bilateral gains into global or regional contributions when PM Najib travels to the UN General Assembly in September. Time is short already in the Malaysian context as it will be necessary to ventilate and build consensus in Kuala Lumpur around proposals that we might have for ASEAN, APEC, and other regional and global initiatives, such as climate change and the NPT Revcon.
KEITH